



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #746

Funding for the Marquette Interchange Reconstruction Project and Other Southeast Wisconsin Freeway Rehabilitation Projects (DOT -- State Highway Program)

[LFB 2005-07 Budget Summary: Page 481, #3]

CURRENT LAW

The southeast Wisconsin freeway rehabilitation program is responsible for rehabilitation and capacity expansion projects on freeways in Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington, and Waukesha counties. The Department is prohibited from using funds appropriated for the state highway rehabilitation or major highway development programs on these freeways. In 2004-05, total funding for the program is \$173,741,800, which includes \$20,000,000 SEG, \$88,085,600 FED, and \$65,656,200 in general obligation bonds. However, for reasons explained later in this paper, base funding for the program is \$160,845,200. The funding changes in the Governor's bill are made to this base.

Most of the funding provided in the 2003-05 biennium was allocated to the Marquette Interchange reconstruction project. The statutes define the Marquette Interchange as all highways, including ramps and shoulders, encompassing I-43, I-94, and I-794 in Milwaukee County within the area bordered by 25th Street to the west, North Avenue to the north, the southern end of the Burnham Canal to the south, and the Milwaukee River to the east.

GOVERNOR

Authorize \$213,100,000 in transportation fund-supported, general obligation bonds for southeast Wisconsin freeway rehabilitation projects and create a sum sufficient, transportation fund appropriation in DOT for paying the debt service on these bonds. Modify statutory provisions related to the southeast Wisconsin freeway rehabilitation program to reflect the creation of this new funding source for the program. Provide \$6,243,000 SEG in 2006-07 to

reflect the estimated debt service payment on these bonds, an estimate that reflects the administration's intent to issue 20-year bonds for the project.

Modify funding in the SEG and FED appropriations for southeast Wisconsin freeway rehabilitation to provide an increase of \$354,600 in 2005-06 and a decrease of \$66,845,000 in 2006-07, reflecting the net effect of the following: (a) decreases of \$21,559,800 SEG in 2005-06 and \$38,204,200 SEG in 2006-07; and (b) an increase of \$21,914,400 FED in 2005-06 and a decrease of \$28,640,800 FED in 2006-07.

DISCUSSION POINTS

1. The 2003-05 budget contained a provision directing DOT, in its 2005-07 budget request, to increase the SEG appropriation base for the state highway rehabilitation and southeast Wisconsin freeway rehabilitation programs in order to allocate SEG funds that were used for general fund purposes in 2004-05, but are not allocated for those purposes on an ongoing basis. The adjustment for the southeast Wisconsin freeway rehabilitation SEG appropriation was \$52,654,100. This amount partially, although not completely, replaces general obligation bonds that were provided for the program in 2004-05, so that the adjusted appropriation base is less than the 2004-05 budget for the program. The following table shows the amounts provided for the program by the bill, compared to the 2004-05 funding level and the adjusted appropriation base.

<u>Fund Source</u>	<u>Actual 2004-05 Funding Level</u>	<u>2004-05 Appropriation Base</u>	<u>Governor</u>	
			<u>2005-06</u>	<u>2006-07</u>
SEG	\$20,000,000	\$72,759,600	\$51,186,000	\$34,541,600
FED	88,085,600	88,085,600	110,000,000	59,444,800
Gen. Ob. Bonds--GPR	65,656,200	0	0	0
Gen. Ob. Bonds--SEG	<u>0</u>	<u>0</u>	<u>213,100,000</u>	<u>0</u>
Total	\$173,741,800	\$160,845,200	\$374,286,000	\$93,986,400

2. The following table shows the proposed use of the funds provided under the bill. In addition to the funding provided in the two years of the biennium, the table reflects an estimated \$40.0 million unencumbered balance carried over from 2004-05. A discussion of each of the proposed uses of the southeast Wisconsin freeway rehabilitation funds follows the table.

	<u>2005-06</u>	<u>2006-07</u>	<u>Biennial Total</u>
Marquette Interchange Reconstruction	\$385,436,000	\$24,956,000	\$410,392,000
I-94 South Preliminary Engineering	9,550,000	19,680,400	29,230,400
Other SE Rehabilitation Projects	<u>19,300,000</u>	<u>49,350,000</u>	<u>68,650,000</u>
Total	\$414,286,000	\$93,986,400	\$508,272,400

Marquette Interchange Reconstruction

3. The reconstruction work on the Marquette Interchange is currently underway on I-43 north of the interchange core (north leg) and on I-94 west of the core (west leg). The work on both legs is scheduled to be completed in December of 2006. Work on the south leg of the interchange (I-43/I-94 south of the core) and the core (which includes I-794 east of the core) is scheduled to start in the fall of 2005. The south leg is scheduled to be completed late in 2007, while the core is scheduled to be completed late in 2008.

4. The Department is required under federal law to prepare an annual financial report for the project, which, among other things, outlines the proposed schedule and estimated cost of the reconstruction. According to the latest financial report, submitted in September, 2004, the total estimated cost of the project is \$810 million, a figure that remains unchanged from the previous annual report.

5. The amount allocated for the project under the bill (including carryover funds from 2004-05) would be \$410.4 million. This amount, when added to a total of \$367.2 million allocated to the project from the two previous biennia (not included funds carried over into 2005-06), would bring the total amount available for the project through 2006-07 to \$777.6 million. DOT indicates that the balance of the project's costs, estimated at \$32.4 million, would be incurred in 2007-08, although construction would continue into 2008-09. Since the bill would allocate \$25.0 million to the project in 2006-07, a \$7.4 million increase to this base would be required in 2007-08 to complete the financing of the project.

6. When added to the \$81.6 million in bonds provided in the 2003-05 biennium for the project, the proposed authorization of \$213.1 million in the bill would mean that bonds would be used for about 36% of the total project cost, assuming that the final cost is \$810 million.

7. The debt service payments on the bonds previously authorized for the project were paid from the transportation fund in the 2003-05 biennium, but will be paid from the general fund in 2005-06 and thereafter. The debt service payments on the proposed \$213,100,000 of bonds would be paid from the transportation fund. It is estimated that this payment would be \$6,243,000 in 2006-07 under the bill, an estimate that assumes the bonds would be 20-year bonds and would be issued over a two-year period beginning in the spring of 2006. It is estimated that the debt service on the bonds would increase to \$15.5 million in 2007-08 and to \$18.6 million in subsequent years.

8. The case for using bonds on the Marquette Interchange project rests on the fact that the project, when complete, will have a long life span. The use of bonds as a financing tool allows the cost of the project to be spread out over a portion of its design life. In this way, future users of the interchange would pay for some of the project's cost, since motor fuel taxes and vehicle registration fees collected from them would be used for debt service on the bonds. If no bonding is used, most of the cost would be borne in just a few years and future users would not be required to pay this cost.

9. A case has also been made against the use of long-term bonds to finance the Marquette Interchange project. Proponents of this view argue that, while bonds may be an appropriate funding strategy for one-time, large projects such as the Marquette Interchange, the state will be faced with the reconstruction of other parts of the southeast Wisconsin freeway system following the completion of the Marquette Interchange, requiring a sustained level of higher expenditures. If bonds are used for a substantial portion of these projects, annual debt service payments would eventually become a heavier burden. If, on the other hand, the state can commit a sufficient level of resources using SEG and FED funds to complete the Marquette Interchange without the use of long-term bonds, these funds would be part of an ongoing base of resources for other southeast Wisconsin freeway reconstruction projects, thus potentially avoiding high debt service payments in the future. The Southeastern Wisconsin Regional Planning Commission (SEWRPC) completed a study in 2003 that recommended the reconstruction of 270 miles of the freeway system over a 30-year period, and estimated the total cost of these projects at \$6.23 billion.

10. An example of the possible consequences of a funding strategy that relies on the ongoing use of bonds is the major highway development program. The state has used transportation revenue bonds for major highway development projects since 1984. Proponents of the use of bonds have noted that bonding allows projects to be constructed earlier than otherwise might occur if only cash sources of funding were used. Although this is true, the state is now in a situation where the annual debt service payments will likely exceed the amount of bonds used annually in 2005-06. Consequently, if the state had not relied on bonding for the major highway development program over the past twenty years, some projects would not have been completed as quickly, but the state would be able to spend more on the program or on other transportation programs in the upcoming years, or, alternatively, the same amounts could be spent with lower transportation taxes and fees. Opponents of the use of bonding for the southeast Wisconsin freeway reconstruction projects argue that a reoccurrence of this situation should be avoided by committing a higher level of cash sources of funding now, instead of using bonds.

11. Although the Committee could adopt an alternative that would avoid the use of long-term bonds, such a financing strategy would, for two reasons, still require the authorization of bonds. First, when the Department enters into a construction contract, current law requires that there must be sufficient budget authority in that fiscal year to encumber the full amount of the contract, even if a portion of the payments under the contract will not occur until subsequent years. Consequently, although payments under the contract for the Marquette Interchange core and south leg will be made over the course of four fiscal years, the Department must have the budget authority for the full amount of the contract in 2005-06, the year that it will be signed. Since that contract is expected to be about \$340 million, it would be difficult to increase cash funding (SEG or FED funds) in 2005-06 by enough to provide sufficient budget authority to sign it. The bill would provide \$213.1 million in bonds to supplement \$172.3 million in SEG and FED funds in order to allow the contract to be let (as well as cover other project costs), and it is assumed that these 20-year bonds would be issued over the course of the project to make payments on the contract. Under the alternative strategy, the bonds would also be needed to allow this contract to be signed. However, instead of issuing the bonds to make project payments, the SEG and FED funds that are provided in subsequent years would be used to make payments on the contract, instead of bond proceeds. In

order to create this mechanism, the Department would be required to use SEG and FED funds that are allocated for the project for making expenditures prior to using any bond proceeds on the project. It should be noted that this alternative would require increases in SEG and FED funds to be provided in 2006-07 since avoiding the issuance of long-term bonds would require the cost of the project to be paid over the course of just a few years, instead of over the course of the 20-year bond repayment schedule. This increase will be discussed in more detail in the financing scenario shown under Point #14.

12. As noted above, when DOT enters into a contract, the contract is “encumbered” in one or more appropriations. If bonds are used for the project, a portion of the encumbrance is in an appropriation from the capital improvement fund, although this does not require the bonds be issued. Actual expenditures are not made until the Department makes payments to the contractor, which may be in the year that the contract is signed or one or more years following this initial year. Adopting an approach that uses the bond authorization for providing sufficient budget authority to let a contract, but which, to the maximum extent possible, avoids the issuance of the bond proceeds, allows the focus of the financing strategy to be on the project's expenditure requirements, rather than the project encumbrances. The projected schedule of expenditures on the Marquette Interchange project over the remaining four years of construction differs from the schedule of when funds are expected to be encumbered for construction contracts and other obligations, because construction on the project will extend over the course of several years. The following table compares the amounts that the Department indicates would be needed to meet project encumbrance requirements (primarily for contract lets) with an estimate of the project expenditure requirements, or project cash flow. The cash flow estimate reflects only expenditures on contracts or other obligations entered into in 2005-06 or thereafter, since expenditures on earlier obligations will be paid from encumbrances carried over from previous years. Actual cash flows may vary from these amounts depending upon changes in the timing and cost of the project. As the table shows, encumbrance requirements are weighted heavily toward 2005-06, while expenditures are more evenly distributed across the four years.

<u>Fiscal Year</u>	<u>Estimated Encumbrances</u>	<u>Estimated Expenditures</u>
2005-06	\$385,436,000	\$91,856,800
2006-07	24,956,000	134,914,900
2007-08	32,352,400	163,139,400
2008-09	<u>0</u>	<u>52,833,300</u>
Total	\$442,744,400	\$442,744,400

13. The second reason for providing bonds under the alternative financing strategy would be to allow project payments to be made on a relatively even schedule in the latter years of the project, even though annual expenditure requirements in those years are expected to be uneven. As the previous table shows, expenditures are expected to reach their peak in 2007-08, but would decline significantly in the following year. Rather than providing enough SEG and FED funds in

2007-08 to meet the anticipated expenditures in that year, the alternative financing strategy would use bonds in that year to fund a portion of the costs and take advantage of the relatively low expenditures in 2008-09 to retire the bonds in that year. In order to create this mechanism, restrictions would be placed on the bonds to ensure that they have a short-term maturity. That is, bonds issued in 2007-08 would be one-year bonds.

14. The following table shows a financing plan that uses the approach described in the previous several points. It should be noted that the table shows the projected expenditure requirements for the project (excluding expenditures on funds encumbered in previous years), not the project encumbrances. Consequently, the table does not show the \$213.1 million in bonds that would be authorized for the project in order to meet the large encumbrance requirement in 2005-06. Only the portion of that authorization that would actually be issued (\$36.6 million) to meet peak expenditure requirements in 2007-08 is shown. An additional increase of \$66,243,000 SEG or FED funds would be provided in 2006-07 under this scenario. Since this scenario would avoid issuing bonds in the 2005-07 biennium, there would be a debt service savings, relative to the bill, of \$6,243,000. Consequently, net of this savings, the scenario would require a funding increase of \$60,000,000.

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Costs				
Project Expenditures	\$91,856,800	\$134,914,900	\$163,139,400	\$52,833,300
Debt Service	<u>0</u>	<u>0</u>	<u>1,465,700</u>	<u>38,108,500</u>
Total Annual Cost	\$91,856,800	\$134,914,900	\$164,605,100	\$90,941,800
Funding				
Carry-Over from Previous Year	\$40,000,000	\$80,479,200	\$36,763,300	\$0
Bill SEG and FED Funds	132,336,000	24,956,000	24,956,000	24,956,000
Additional SEG/FED	0	66,243,000	66,243,000	66,243,000
Bonds	<u>0</u>	<u>0</u>	<u>36,642,800</u>	<u>0</u>
Total Funding	\$172,336,000	\$171,678,200	\$164,605,100	\$91,199,000
Unencumbered Balance	\$80,479,200	\$36,763,300	\$0	\$257,200

15. There are several things to note about this scenario, including provisions that would have to be included to implement it.

- The amount of additional SEG or FED funds provided in 2006-07 would be enough to provide a surplus of \$36.8 million in that year. Although a smaller amount could be provided, the scenario is designed to provide enough additional funding to allow funding commitments for the subsequent years, including debt service payments in 2008-09, to be met without an additional increase.

- The only bonds issued in this scenario would be \$36.6 million in 2007-08, an amount that would be necessary given the high projected expenditures in that year. Since projected expenditures are anticipated to be lower in 2008-09, the bonds can be retired in that year, with no

further debt service payments required after that point. The unused bonding authorization could be deleted following the completion of the project or the authorization could be modified for use on future southeast Wisconsin freeway rehabilitation projects.

- In order to ensure that the bonds are used only to even out expenditures over the course of the project, without creating long-term debt service commitments, certain restrictions would be placed on the issuance of the bonds. First, the Department would be required, to the maximum extent possible, to use all available SEG and FED funds allocated for the Marquette Interchange project in a given year prior to issuing any bonds. Second, the amount issued would be limited to the estimated difference between project expenditures in the year of issuance and the amount of SEG and FED funds allocated for the project in that year. Finally, any bonds that are issued for the project would have a maturity not exceeding two years for bonds issued in 2006-07 or not exceeding one year for bonds issued in 2007-08 or thereafter. While bonds would be issued only in 2007-08 under the above scenario, changes in the cost of the project or timing of expenditures may require bonds to be issued earlier or later than this.

- Under this scenario, the total amount of SEG and FED funds provided would be sufficient to pay both project costs and anticipated debt service in 2008-09. In order to allocate funds for debt service, the Department could be required to include an adjustment to the SEG appropriation for the southeast Wisconsin freeway rehabilitation appropriation in its 2007-09 budget request to transfer funds from that appropriation to the debt service appropriation. Then, since one of the objectives of this alternative would be to provide a level of ongoing funding for other southeast Wisconsin freeway reconstruction projects, the Department could be required to allocate any anticipated reduction from the base debt service level (such as, following 2008-09) to the southeast Wisconsin freeway rehabilitation appropriation for the purposes of the following biennial budget. In other words, the sum of the SEG appropriation for southeast Wisconsin freeway rehabilitation and the debt service appropriation would always remain the same, through adjustments that would be made when the base budget for each appropriation is established with the Department's subsequent budget requests.

- Following the completion of the project, this alternative would allow \$91.2 million to be available for other southeast Wisconsin freeway rehabilitation projects, beginning in 2009-10. In contrast, the financing plan under the bill would provide ongoing funding for other projects of \$32.4 million (the \$25.0 million base under the bill, plus an additional increase of \$7.4 million to complete the financing of the project), beginning in 2008-09. Furthermore, there would be no ongoing debt service associated with the above scenario, while the use of bonds under the bill would require ongoing debt service payments of \$18.6 million annually. In total, the financing plan under the bill would require total cash funding for the project and for debt service (in 2005-06 and thereafter) of \$604.4 million, while the alternative presented in the table would require payments of \$445.7 million, a difference of \$158.7 million. However, expenditures over the next two biennia under this alternative would be higher by \$175.6 million.

- The funding amounts that would be provided under this scenario are based on the Department's current estimates of the costs of the project and an estimate of the timing of

expenditures. Changes in these assumptions could impact the degree to which these amounts would be sufficient to meet expenditure requirements. The Legislature would have the opportunity to make further funding adjustments for the project in the 2007-09 biennial budget.

16. The Department's plan for management of the Marquette Interchange reconstruction project employs single liability and workers compensation insurance policies covering all contractors involved in the work, an approach known as an owner controlled insurance policy, or OCIP. Under the OCIP approach, the Department is the policy holder, in contrast to other construction projects, in which each contractor purchases a policy for the project covering only its own workers. With large projects like the Marquette Interchange, there are presumed to be efficiencies associated with an OCIP, as well as other benefits associated with a project-wide risk management and safety strategy. The Department has indicated, however, that current law prohibits the OCIP from being administered as was originally intended, meaning that some of the benefits are not accruing to the Marquette Interchange project. Under the OCIP, fines are imposed on contractors who are found to have violated contractual safety requirements. It was intended that the fine revenue would be used to fund the safety coordination efforts that are part of the Department's insurance policy. However, under current law, these fines are revenues to the transportation fund and, therefore, are not available for their intended purpose unless they are specifically appropriated. There is a similar problem with claim deductibles. Under the OCIP, contractors must pay a deductible for any claim for which they are the responsible party. Unlike traditional insurance policies, however, the deductible does not go towards paying the claimant, but rather is used to offset the Department's premium payments or for safety-related programs. Again, however, under current law, the deductible revenue is not available for this purpose since it is a transportation fund revenue. In both cases, the fact that these revenues do not stay within the OCIP will mean that the program costs, which would otherwise be partially offset by these revenues, have to be paid out of the overall project budget. To allow the payments from the safety-related fines and the claim deductibles to be retained within the program, a modification would be required to specify that these revenues are to be credited to a current law program revenue appropriation for highway damage claims and that that appropriation may be used for the purposes of the OCIP.

I-94 South Preliminary Engineering

17. In addition to the Marquette Interchange project, the bill would provide \$9,550,000 in 2005-06 and \$19,680,400 in 2006-07 for preliminary engineering, final design, and other preliminary activities associated with the I-94 South project, which runs between the Illinois state line and the Mitchell Interchange, including the Airport Spur (STH 119). The Department indicates that this freeway segment, which is 33 miles in length, would be the next major reconstruction project on the southeast Wisconsin freeway system following the Marquette Interchange project.

18. According to SEWRPC's 2003 freeway plan, the cost of the reconstruction of the I-94 South freeway, including the interchanges, is estimated at \$942 million, which includes adding a lane in each direction to upgrade the freeway to a total of eight lanes. However, the decision of whether or not to add lanes will be the subject of the environmental analysis conducted for the corridor and would require legislative approval prior to construction. Under the Department's

preliminary schedule for the project, construction would begin in 2009 or 2010. Initially, the focus of the project would be the reconstruction of selected interchanges in Kenosha and Racine counties. Beginning in 2011, work would begin along the rest of the corridor, with completion tentatively scheduled for 2016. If the funding is not provided for the I-94 preliminary engineering, work on the Kenosha and Racine interchanges, as well as the rest of the project, may be delayed by one or two years, since these preliminary activities are expected to take three to four years to complete.

19. One of the reasons given for completing the preliminary activities and starting the I-94 South project in 2009 or 2010 is to maintain continuity of the southeast Wisconsin freeway reconstruction work after the completion of the Marquette Interchange. Such continuity would allow the general and subcontracting firms involved on the Marquette Interchange project to maintain their workforces and compete for the subsequent I-94 South project without having a period of no activity.

20. In testimony before the Committee, the Department Secretary indicated that preliminary work could also begin on the Zoo Interchange (I-94 and USH 45) if additional funding was provided for this purpose. The Zoo Interchange project would encompass the core of the interchange as well as a segment of USH 45 extending north to the Richfield Interchange (the split of USH 41 and USH 45), a distance of 21 miles. According to SEWRPC's freeway study, the total estimated cost of the Zoo Interchange-USH 45 project is \$943 million. The Department indicates that the total cost of conducting preliminary work for that project, which includes the preparation of an environmental impact statement, the preliminary construction plans, and real estate and utility plans, would be \$38.0 million.

21. The preliminary work on the Zoo Interchange-USH 45 project could take anywhere between four and six years, depending largely upon the length of time required to resolve the major issues related to the project alternatives. The Department indicates that if the preliminary activities are begun in the 2005-07 biennium, the construction on the Zoo Interchange-USH 45 project could possibly proceed at about the same time as the construction is occurring on the mainline segment of the I-94 South project, although it would likely be started and end somewhat after the I-94 South construction. This project schedule, however, would be contingent upon sufficient funds being provided to construct these projects concurrently.

22. The Department indicates that the \$38.0 million amount is an estimate of a contract with an engineering firm to conduct and coordinate the various preliminary activities. As with the contract for the Marquette Interchange core and south leg, the Department must have the budget authority for this contract in the year that it is signed, although expenditures on this contract are expected to occur over the course of about four years. DOT indicates that one alternative, although not the Department's preference, would be to split the work into two successive contracts of \$17.0 million, entered into in 2005-06, and \$21.0 million, entered into in 2006-07, which would allow the funding to be spread out over the two years of the biennium.

Other Southeast Wisconsin Freeway Rehabilitation Projects

23. The administration indicates that \$19,300,000 in 2005-06 and \$49,350,000 in 2006-07 would be allocated to rehabilitation projects on the southeast Wisconsin freeway system other than the Marquette Interchange. Generally, these projects are resurfacing and smaller reconstruction projects.

24. Prior to the creation of the southeast Wisconsin freeway rehabilitation program in the 2001-03 budget and the 2002-03 budget adjustment act, rehabilitation of these freeways was the responsibility of the state highway rehabilitation program. Pursuant to a provision of the 2002-03 budget adjustment act, the Committee established funding for southeast Wisconsin freeway rehabilitation in the new program appropriations by transferring amounts from the state highway rehabilitation appropriations to the southeast Wisconsin freeway rehabilitation appropriations in 2002-03, based on the amount of work that had previously been programmed for that year. The Committee established the appropriation base of the southeast Wisconsin freeway rehabilitation program, for the purposes of the 2003-05 budget, at \$49,350,000, which was the amount that the Department had previously programmed for those projects in both years of the biennium. The Legislature's 2003-05 budget bill would have required DOT to allocate this amount annually for rehabilitation projects other than the Marquette Interchange from the total appropriation for southeast Wisconsin freeway rehabilitation, but the Governor vetoed this requirement. Most of this amount has been allocated, instead, to the Marquette Interchange project, although the Department has programmed \$11.2 million in other projects for 2004-05. Therefore, the allocation of \$19,300,000 for these projects in 2005-06 would be an increase from the previous year, but the full amount of funding would not be restored to the base level that had initially been established for these projects until 2006-07.

25. Decisions on the funding for the southeast Wisconsin freeway rehabilitation program must be made in the context of various budgetary priorities, including reducing the utilization of bonds for the Marquette Interchange, the provision of additional funding for the Zoo Interchange preliminary engineering contract, or other transportation programs other than the southeast Wisconsin freeway rehabilitation program. If it is determined that providing the full amount of funding to restore the original base level of funding for other southeast Wisconsin freeway rehabilitation projects in 2006-07 is not possible, one alternative would be to provide just one-half of that amount in that year, resulting in savings of \$24,675,000 in that year.

ALTERNATIVES

A. Marquette Interchange Reconstruction Funding

1. Approve the Governor's recommendation to: (a) authorize \$213,100,000 in transportation fund-supported, general obligation bonds for southeast Wisconsin freeway rehabilitation projects and provide \$6,243,000 SEG in 2006-07 for debt service on the bonds; and (b) decrease funding by \$21,559,800 SEG in 2005-06 and \$38,204,200 SEG and \$28,640,800 FED

in 2006-07 and increase funding by \$21,914,400 FED in 2005-06, to provide net SEG and FED funding changes of an increase of \$345,600 in 2005-06 and a decrease of \$66,845,000 in 2006-07.

2. Modify the Governor's recommendation by adopting changes necessary to implement a financing strategy shown in the table under Point #14, as follows: (a) provide additional funding of \$66,243,000 SEG in 2006-07 [some combination of SEG and FED equaling this amount could also be substituted]; (b) require DOT, to the maximum extent possible, to utilize SEG and FED funds allocated for the project from the southeast Wisconsin freeway rehabilitation appropriations in each year for expenditures on the project prior to issuing bonds for the project in that year; (c) specify that the amount of bonds issued for the project, if any, would be limited to the amount needed to cover estimated expenditures in the fiscal year that the bonds are issued, net of the SEG and FED funds allocated for the project from the southeast Wisconsin freeway rehabilitation appropriations in that year; (d) specify that any bonds issued for the project in the 2005-07 biennium shall have a maximum maturity of two years and any bonds issued in 2007-08 or thereafter shall have a maximum maturity of one year; (e) reduce funding by \$6,243,000 SEG in 2006-07 to reflect that no debt service payments are estimated for that year under these restrictions; (f) require DOT, in its 2007-09 budget request, to propose adjustments to the SEG appropriation for southeast Wisconsin freeway rehabilitation to transfer an amount from that appropriation to the debt service appropriation for southeast Wisconsin freeway rehabilitation bonds equal to anticipated debt service payments in the two years of the 2007-09 biennium; and (g) require DOT, with each subsequent biennial agency budget request, to adjust the SEG base appropriation for southeast Wisconsin freeway rehabilitation and the appropriation for debt service payments on bonds issued for southeast Wisconsin freeway rehabilitation projects to allocate amounts in the base appropriation for southeast Wisconsin freeway debt service to the SEG appropriation for southeast Wisconsin freeway rehabilitation that will not be required for debt service in the two years of the upcoming biennium.

<u>Alternative A2</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	\$60,000,000

3. In addition to the adopting Alternative #A 1 or #A 2, specify that revenues received from safety-related fines and claim deductibles under the Department's owner controlled insurance program for the Marquette Interchange project shall be credited to the damage claims PR appropriation and specify that this appropriation may be used for costs under this program.

B. Preliminary Engineering Funding

1. Approve the Governor's recommendation to allocate \$9,550,000 in 2005-06 and \$19,680,400 in 2006-07 from the funds provided for the southeast Wisconsin freeway rehabilitation program for preliminary engineering and other pre-construction activities associated with the I-94 South project.

2. Provide \$38,000,000 SEG in 2005-06 for a contract for preliminary work related to the Zoo Interchange-USH 45 reconstruction project.

<u>Alternative B2</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	\$38,000,000

3. Provide \$17,000,000 SEG in 2005-06 and \$21,000,000 SEG in 2006-07 to allow the Department to enter into two separate contracts for preliminary work for the Zoo Interchange-USH 45 reconstruction project.

<u>Alternative B3</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	\$38,000,000

4. Delete \$7,640,000 FED and \$1,910,000 SEG in 2005-06 and \$15,744,300 FED and \$3,936,100 SEG in 2006-07 to delete all funding that would be allocated under the bill for I-94 South preliminary engineering.

<u>Alternative B4</u>	<u>FED</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	-\$23,384,300	-\$5,846,100	-\$29,230,400

C. Other Southeast Wisconsin Freeway Rehabilitation Projects

1. Approve the Governor's recommendation to allocate \$19,300,000 in 2005-06 and \$49,350,000 in 2006-07 from amounts appropriated for southeast Wisconsin freeway rehabilitation for rehabilitation projects on the southeast Wisconsin freeway system other than the Marquette Interchange.

2. Modify the Governor's recommended allocation of funding for non-Marquette Interchange projects by deleting \$19,740,000 FED and \$4,935,000 SEG in 2006-07 to provide a total of \$24,675,000 for such projects in 2006-07, or one-half the amount allocated by the Governor.

<u>Alternative C2</u>	<u>FED</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	-\$19,740,000	-\$4,935,000	-\$24,675,000

Prepared by: Jon Dyck